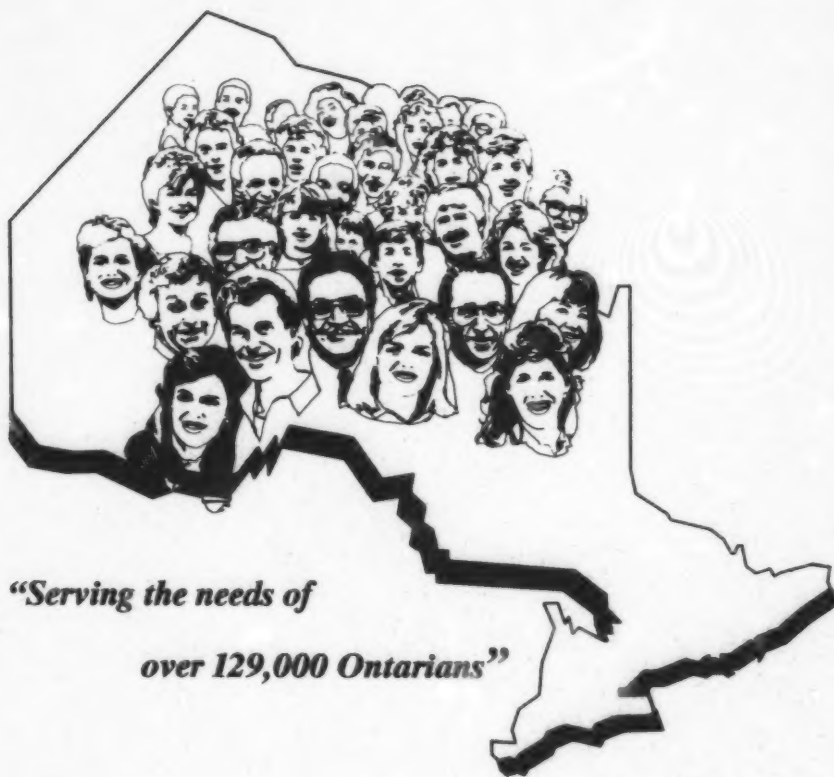


ONTARIO PENSION BOARD



*"Serving the needs of
over 129,000 Ontarians"*

1991 ANNUAL REPORT

Business Vision Statement

The goal of the Ontario Pension Board is to excel in the provision of pension benefits by delivering the highest quality service to its members, pensioners and sponsors at the lowest cost, and by obtaining the maximum return on investments with a minimum of risk. This goal is being achieved through progressive human resource practices that encourage the initiative, innovation and participation of all staff.

ACTUARIES

William M. Mercer Limited

AUDITORS

Ernst & Young

LEGAL COUNSEL

Blake, Cassels & Graydon

ONTARIO PENSION BOARD

Ontario Pension Board

The Ontario Pension Board is honoured to serve the needs of the over 91,000 contributing members and 38,000 pensioners who are currently or were previously employed in the following Ministries, Agencies, Boards and Commissions of the Ontario Public Service:

Ministry of Agriculture and Food
Ministry of the Attorney General
Cabinet Office
Ministry of Citizenship
Ministry of Colleges and Universities
Ministry of Community and Social Services
Ministry of Consumer and
Commercial Relations
Ministry of Correctional Services
Ministry of Culture and Communications
Ministry of Education
Ministry of Energy
Ministry of the Environment
Ministry of Financial Institutions
Minister Responsible for Francophone Affairs
Ministry of Government Services
Ministry of Health
Ministry of Housing
Ministry of Industry, Trade and Technology
Ministry of Intergovernmental Affairs
Ministry of Labour
Management Board of Cabinet
Ministry of Municipal Affairs
Minister Responsible for Native Affairs
Ministry of Natural Resources
Ministry of Northern Development and Mines
Minister Responsible for Provincial
Anti-Drug Strategy

Ministry of Revenue
Ministry of Skills Development
Ministry of the Solicitor General
Ministry of Tourism and Recreation
Ministry of Transportation
Ministry of Treasury and Economics
Minister Responsible for Women's Issues
Addiction Research Foundation
Algonquin Forestry Authority
GO Transit
Legislative Assembly of Ontario
Liquor Control Board of Ontario
Niagara Parks Commission
Office for Disability Issues
Office for the Greater Toronto Area
Office of the Provincial Auditor
Office for Seniors' Issues
Ombudsman Ontario
Ontario Anti-Racism Secretariat
Ontario Arts Council
Ontario Housing Corporation
Ontario Human Rights Commission
Ontario Pension Board
Ontario Provincial Police
Ontario Teachers' Pension Plan Board
Ontario Waste Management Corporation
Workers' Compensation Appeals Tribunal
Workplace Health and Safety Agency

Chairman's Message



W. H. SOMERVILLE
Chairman

I am pleased to report on the second year of our operations which is, in fact, our first complete year in which the Public Service Pension Board had total responsibility for the administration of both the assets and liabilities of the Plan. We assumed management of the assets on January 1, 1990 and the administration of the Plan on January 15, 1991.

Effective January 1, 1992, our name has been changed to the "Ontario Pension Board" to better reflect the nature of our operations.

On the investment side of our business, the Pension Fund has had a very good year. Total assets increased by \$1.19 billion from \$7.84 billion to \$9.03 billion, an increase of 15.2% over the prior year. The return on our total investment portfolio for the 1991 year was quite satisfactory at 14.1%.

Our original assets consisted of \$6.94 billion in special Province of Ontario debentures. As these special debentures mature, we are diversifying into other investments. During 1991 \$30 million of the special debentures have matured leaving a balance of \$6.19 billion. These special debentures provided an annual yield of 11.3%.

The remainder of our portfolio of investments, totalling \$2.2 billion, is managed by five external balanced fund specialists and one external bond fund specialist. These investments are comprised of Canadian and U.S. bonds and equities.

Our actuarial unfunded liability, originally estimated at \$1.9 billion, has been established at \$2.494 billion as at January 1, 1990. The Government of Ontario has committed to meet the obligations of this underfunding through monthly payments amortized over 40 years. Payments have been received since January 1, 1990, the date of our incorporation.

On the Plan Administration side, initiatives have been undertaken that reflect the Board's commitment, approach and attitude to improving the ways we work with our clients. The staff have made progress in improving our practices and services but there still remains much to be done.

The Ontario Pension Board currently manages the third largest pension plan in Ontario and services approximately 91,000 members and 38,000 pensioners.

On January 15, 1991, the plan administration staff transferred from the Government of Ontario and joined the Ontario Pension Board at its new location at One Adelaide Street East, Toronto. Our staff immediately established two goals:

- prompt and accurate information to be provided to members and pensioners; and
- courtesy and fairness in dealing with the problems and concerns of all our clients.

To achieve these goals, the staff established the following strategy:

- reduction in number of outstanding transactions;
- improved staff training;
- improved technology.

During 1991 the Board reduced the number of outstanding transactions, inherited at the time of the transfer from the Government, from 17,000 to 7,000. This was accomplished by implementing many of the staff suggestions and holding effective training sessions. Member and pensioner calls were reduced from a high of 9,400 calls per month to 4,900 calls per month. A direct benefit of having a more current workload was a reduction in inquiries and complaints. Our client service staff maintained an average call acceptance of 97% with an average response time of 13 seconds.

As we begin 1992, the staff are actively involved in developing the Board's information technology system. The new system will enable Board staff to access, through a single terminal, many databases and obtain the information necessary to calculate pension benefits. The new system will be a major component in our plan to enhance services to our members and pensioners.

Personally, and on behalf of the Board of Directors, I would like to thank President James Wilbee, and our entire staff for their outstanding dedication and assistance during a very difficult and hectic transition year.

A handwritten signature in dark ink, reading "W. H. Somerville". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

W. H. SOMERVILLE
Chairman

ONTARIO PENSION BOARD

Auditors' Report

To the Directors of the Ontario Pension Board:

We have audited the statements of net assets available for benefits of the Ontario Pension Board as at December 31, 1991 and December 31, 1990, the statements of changes in net assets available for benefits and the statements of administrative expenses for the years then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at December 31, 1991 and December 31, 1990 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.

Toronto, Canada
February 24, 1992

Ernst & Young

Chartered Accountants

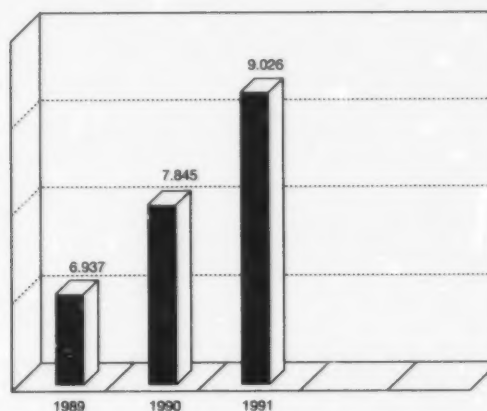
ONTARIO PENSION BOARD

Highlights For The Year 1991

(in thousands of dollars
except for plan statistics)

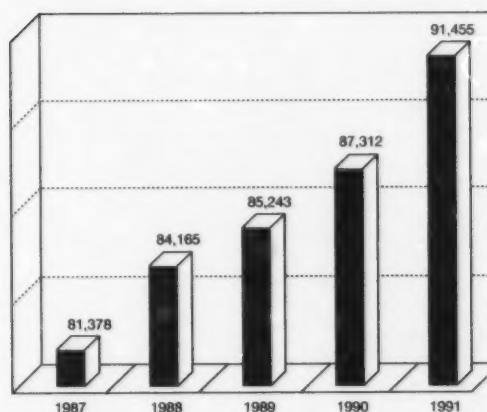
	<u>1991</u>	<u>1990</u>	<u>% Change</u>
RESULTS FOR THE YEAR			
Total Investment Income	\$ 914,477	\$ 816,055	12.1
Total Contributions Received	549,859	486,102	13.1
Total Pensions Paid	425,646	393,345	8.2
Total Increase in Net Assets	1,180,968	907,838	30.1
YEAR END POSITION			
Invested Assets	8,400,886	7,246,302	15.9
Total Net Assets	9,025,975	7,845,007	15.1
RETURN ON INVESTMENTS			
	14.1 %	11.6%	21.6
PLAN STATISTICS			
Number of Members	91,455	87,312	4.7
Number of Pensioners	37,793	35,511	6.4

Growth In Net Assets (\$ Billion)

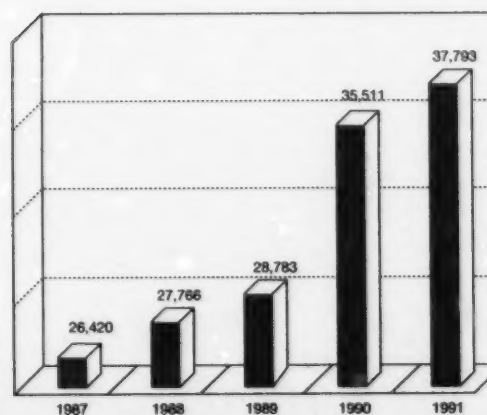


Growth Rate: 1991 - 15%
1990 - 13%

Growth In Members



Growth In Pensioners*



* Total Includes Retirees, Dependants and Disabled

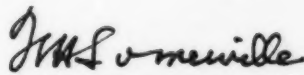
ONTARIO PENSION BOARD

**Statement Of Net
Assets Available
For Benefits As
At December 31**

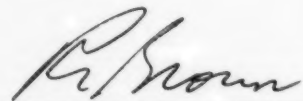
ASSETS	<i>(in thousands of dollars)</i>	
	1991	1990
Investments (Notes 4 and 5)	\$ 8,400,886	\$ 7,246,302
Contributions Receivable	66,091	55,697
Accrued Interest	562,423	551,361
Fixed Assets (Note 6)	2,928	3,100
TOTAL ASSETS	<u>9,032,328</u>	<u>7,856,460</u>
LIABILITIES		
Accounts Payable and Accrued Charges	1,967	7,666
Income Tax Withheld on Pension Payments	4,386	3,787
TOTAL LIABILITIES	<u>6,353</u>	<u>11,453</u>
NET ASSETS AVAILABLE FOR BENEFITS	<u>\$ 9,025,975</u>	<u>\$ 7,845,007</u>

See accompanying notes

Approved on behalf of the Board:



William H. Somerville
Director



Ronald C. Brown
Director

ONTARIO PENSION BOARD

Statement Of Changes In Net Assets Available For Benefits For The Years Ended December 31

INCREASE IN NET ASSETS	<i>(in thousands of dollars)</i>	
	1991	1990
Investment Income (Note 7)	\$ 914,477	\$ 816,055
Contributions:		
Members	268,733	238,991
Sponsors	281,126	247,111
Increase in market value of investments (Note 5)	107,386	
Interim payments received on account of unfunded liability	96,983	89,422
Transfers from other plans	13,314	8,198
Increase in net assets	1,682,019	1,399,777
DECREASE IN NET ASSETS		
Pensions paid	425,646	393,345
Refunds of contributions and transfers	62,869	88,964
Administrative expenditures	12,536	9,630
Decrease in net assets	501,051	491,939
TOTAL INCREASE FOR THE YEAR	1,180,968	907,838
NET ASSETS AT BEGINNING OF YEAR	7,845,007	6,937,169
NET ASSETS AT END OF YEAR	\$ 9,025,975	\$ 7,845,007

See accompanying notes

ONTARIO PENSION BOARD

Statement Of Administrative Expenses For The Years Ended December 31

	<i>(in thousands of dollars)</i>	
	1991	1990
Salaries and benefits	\$ 6,868	\$ 1,635
Investment services	2,102	500
Office rental, operating costs and taxes	1,209	230
Depreciation	447	94
Repairs and maintenance	361	85
Printing, stationery and computer supplies	346	186
Professional consulting services	273	486
Telecommunications	238	20
Actuarial services	151	312
Office equipment	112	80
Postage and distribution	108	6
Training and development	75	328
Communications	54	80
Bank services	46	23
Audit fees	37	36
Travel	32	33
Books and publications	31	25
Board services	15	20
Registration and filing	12	0
Legal fees	9	56
Relocation costs	6	5
Insurance	4	1
Treasurer of Ontario (Note 9)	0	5,389
TOTAL	\$ 12,536	\$ 9,630

See accompanying notes

**Notes To Financial
Statements
December 31,
1991**

1. PUBLIC SERVICE PENSION ACT, 1989

On December 31, 1989 the Province of Ontario enacted new legislation governing the pension plan of the civil servants of the Province. The Public Service Pension Act, 1989 (the Act) repealed the Public Service Superannuation Act, 1980, as amended. The pension plan which had been established thereunder was continued under the Act. The terms of the pension plan (the Plan) are stated in Schedule 1 to the Act and are effective January 1, 1990. The Ontario Pension Board (the Board), formerly the Public Service Pension Board, is the administrator of the Plan.

Effective January 1, 1990 the total assets and liabilities of the Public Service Superannuation Fund Account maintained in the Consolidated Revenue Fund were transferred to the Board. The transfer was made by issuing \$6.937 billion of Special Province of Ontario debentures.

2. DESCRIPTION OF PLAN

The following is a brief description of the Plan. For more complete information, reference should be made to the Act.

a) General

The Plan is a contributory defined benefit pension plan and is mandatory for persons who satisfy eligibility requirements provided in the Act. Under the Plan, contributions are made by the members and the sponsors. The Plan is registered under the Pension Benefits Act of Ontario: registration #C-667/2.

b) Contributions

The Plan is integrated with the Canada Pension Plan (CPP). Member contributions are 6.2% of salary which is subject to CPP deductions and 8% on the balance of salary. The sponsors contribute matching amounts.

Ontario Provincial Police members are required to contribute to the Plan an additional 2% of salary which is matched by the sponsor.

c) Service Pensions

A service pension is payable at age 65 based on the number of years of credit, the average salary during the best consecutive 60 month period less an offset for amounts received under the Canada Pension Plan. An unreduced pension can be received before age 65 if the member's age and service credit total 90 or when the member reaches age 60 and has 20 or more years of credited service.

Ontario Provincial Police members are eligible for an unreduced pension after attaining age 50 with 30 years of credited service.

d) Death Benefits

Amounts may be payable to a surviving eligible spouse or eligible children, a designated beneficiary or the member's or pensioner's estate on the death of a member or a pensioner. The benefit may take the form of an immediate or deferred pension and/or a lump sum payment.

**Notes To Financial
Statements
December 31,
1991**

e) ***Disability Pensions***

Based on meeting all eligibility criteria, a pension may be available to members with a minimum of 10 years of credited service. The amount of the disability pension is dependent on credited service and average salary.

f) ***Withdrawal Refunds***

Members terminating employment before age 55 who are eligible for a deferred pension may transfer the commuted value of the pension to a locked-in registered retirement savings plan, to another pension plan or may purchase a life annuity.

g) ***Escalation of Benefits***

Pension benefits are indexed to inflation based on the Consumer Price Index to a maximum of 8%. Any inflation above 8% is applied to the pension in subsequent years when the adjustment is less than 8%.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) ***Basis of Presentation***

The financial statements are prepared in accordance with generally accepted accounting principles and present the position of the Plan as a separate entity independent of the sponsors and plan members.

b) ***Investments***

Traded investments are stated at market value in 1991 based on year end market prices. Short term investments are carried at amortized cost. Non-traded investments comprised of the Special Province of Ontario debentures are recorded at face value (see Note 5).

c) ***Contributions***

Contributions from members and sponsors which are due at year end are recorded as receivable. Contributions and matching contributions from buybacks and transfers are recorded when cash is received.

Interim payments from the Province are recorded in the year in which they are received.

d) ***Pensions***

Payments of pensions are recorded in the year in which such payments are made.

e) ***Fixed Assets***

Fixed assets are carried at cost less accumulated depreciation. Depreciation is provided on a straight-line basis over the estimated useful lives of the fixed assets as follows:

Computer equipment	5 years
Leasehold improvements	10 years
Furniture and fixtures	10 years

f) ***Foreign Currency Translation***

Foreign currency investments are translated into Canadian dollars at the year end exchange rate. Revenues and related transaction charges are recorded at the prevailing month end rate of exchange.

**Notes To Financial
Statements
December 31,
1991**

4. CHANGE IN ACCOUNTING POLICIES

Accounting policies have been changed, on a prospective basis, to reflect implementation of the CICA accounting standards for general purpose financial statements of pension plans in 1991.

The changes are:

- a) Investments have been valued at market at December 31, 1991 with the exception of the Special Province of Ontario debentures which cannot be traded and are recorded at their face value of \$6.194 billion. The corresponding amount at December 31, 1990 was \$6.225 billion.
- b) The financial statements include additional information on obligations for pension benefits of the Plan.

5. INVESTMENTS

	1991		1990	
	Cost	Market Value	Cost	Market Value
	(000's)		(000's)	
Term deposits	\$ 79,000	\$ 79,000	\$ 69,697	\$ 69,697
Government of Canada treasury bills	140,136	140,136	64,336	64,336
Other cash and short term investments	22,529	22,529	84,779	84,779
Government of Canada bonds	735,100	765,494	380,980	385,483
Province of Ontario bonds	90,488	94,414		
Ontario Hydro bonds	250,482	263,085	164,980	167,278
Other Government bonds	152,501	161,612	110,006	111,307
Corporate bonds and debentures	169,132	177,125	100,152	101,260
Canadian equities	124,755	123,599		
Non-Canadian equities	334,896	379,411	46,677	47,055
Traded Investments	2,099,019	2,206,405	1,021,607	1,031,195
Special Province of Ontario debentures	6,194,481	6,194,481	6,224,695	6,224,695
TOTAL INVESTMENTS	\$ 8,293,500	\$ 8,400,886	\$ 7,246,302	\$ 7,255,890

The estimated market value of the Special Province of Ontario debentures was \$7.931 billion as at December 31, 1991 and \$7.197 billion as at December 31, 1990. These amounts were determined by discounting cash flows based on year end market yields of comparable bonds.

ONTARIO PENSION BOARD

Notes To Financial Statements December 31, 1991

6. FIXED ASSETS

	Cost	1991 Accumulated Depreciation	Net	1990 Net
		(000's)		(000's)
Computer equipment	\$ 1,412	\$ 326	\$ 1,086	\$ 1,075
Leasehold improvements	1,445	149	1,296	1,430
Furniture and fixtures	611	65	546	595
	<u>\$ 3,468</u>	<u>\$ 540</u>	<u>\$ 2,928</u>	<u>\$ 3,100</u>

7. INVESTMENT INCOME

	1991 (000's)	1990 (000's)
Cash and short term investments	\$ 29,212	\$ 82,054
Bonds and debentures	174,853	12,541
Canadian equities	2,806	
Non-Canadian equities	5,070	14
Special Province of Ontario debentures	702,536	721,446
	<u>\$ 914,477</u>	<u>\$ 816,055</u>

8. COMMITMENTS

The Board is committed under an eleven year lease for office premises at One Financial Place, Toronto, at an annual net rental of \$1 million until 2002.

9. ADMINISTRATION OF THE PLAN

Services were provided during 1990 to the Board by the Ministry of Government Services, Employee Pension and Benefits Administration Branch. The direct administration of the Plan was taken over from the Ministry of Government Services by the Board on January 15, 1991.

**Notes To Financial
Statements
December 31,
1991**

10. OBLIGATIONS FOR PENSION BENEFITS

In accordance with the Act, an initial actuarial valuation of the Plan was completed by the Board's actuaries, William M. Mercer Ltd., as at January 1, 1990 which was subsequently approved by the Chair of the Management Board of Cabinet and the Treasurer of Ontario and filed with the Pension Commission of Ontario. This valuation disclosed an unfunded actuarial liability of \$2.494 billion as at January 1, 1990 based on a liability of \$11.349 billion from which assets of \$8.855 billion were deducted. This amount represented an increase from the original estimate of \$1.9 billion. The Province is required to fund the total unfunded liability by monthly payments over forty years.

A full actuarial valuation is required every three years. The next such valuation is due January 1, 1993. However, the Board's actuaries have produced an estimate of the actuarial obligation by projecting 24 months from January 1, 1990 to December 31, 1991 as follows:

	(000's)
Actuarial present value of accrued pension obligations at January 1, 1990	\$ 11,348,962
Interest on accrued benefits	1,891,243
Benefits accrued	1,057,473
Benefits paid	(992,990)
Actuarial present value of estimated pension obligations at December 31, 1991	<u>\$ 13,304,688</u>

The estimated actuarial value of the assets as at December 31, 1991 is \$10.615 billion.

The foregoing method is the method of valuation required under the Act and it is this method upon which funding decisions must be based. However, the Board is required to report under the new reporting standard set by the Canadian Institute of Chartered Accountants which requires that pension obligations be calculated using best estimate assumptions and the projected benefit method pro-rated on services. Using this method the present value of estimated pension obligations would be \$11.444 billion rather than \$13.305 billion at December 31, 1991.

**Notes To
Financial
Statements
December 31,
1991**

11. ONTARIO PROVINCIAL POLICE EARLY RETIREMENT BENEFIT

Under the Act, the Board is required to report annually on the early retirement benefit provided by the Plan to members who are employed by the Ontario Provincial Police Force (OPP). This early retirement benefit is available to OPP Plan members who are 50 years of age and have 30 years of credited service in the Plan. OPP Plan members contribute 2% of their salary to the Plan in addition to the regular 8% contribution amount. This contribution is matched by the sponsor.

The position of the OPP early retirement benefit was included in the initial actuarial valuation as at January 1, 1990. The value of projected future contributions and benefits included in the initial actuarial valuation was updated to reflect actual contributions received and benefit payments made during the period to December 31, 1991. This method produces a reasonable estimate of the financial position of this benefit according to the Board's actuaries.

The status of the OPP early retirement benefit as at December 31, 1991 was as follows:

	(000's)
Assets allocated to payment of OPP early retirement benefit	\$ 21,398
Actuarial value of future contributions from OPP members and sponsor	<u>58,929</u>
	80,327
Actuarial obligation of future OPP retirements	<u>(72,404)</u>
Assets available in excess of obligations	<u>\$ 7,923</u>

ONTARIO PENSION BOARD

Directors

Board of Directors

WILLIAM H. SOMERVILLE, LL.D.
Chairman
Ontario Pension Board
Former Chairman and CEO
National Trust

WILLIAM J. CORCORAN
Vice-Chairman, Ontario Pension Board
Former Executive Vice-President
ScotiaMcLeod Inc.

RONALD C. BROWN, Q.C.
Partner
Blake, Cassels & Graydon

HARRIET L. DEKOVEN
Manager, Federal-Provincial Programs
Ministry of Treasury and Economics

WILLIAM J. FISHER
Former Vice-President
Human Resources, Chrysler Corporation

DANIEL L. MCCAW
President
William M. Mercer Limited

R. GRANT SCHARF
Sergeant
Ontario Provincial Police and
Chairman
Ontario Provincial Police Association

JAMES R. THOMAS
Deputy Minister
Broader Public Sector - Labour Relations

NANCY THOMSON
Founder, Investing for Women,
Investment Consultants

Committees of the Board

Investment Committee

- * WILLIAM J. CORCORAN
RONALD C. BROWN
HARRIET L. DEKOVEN
WILLIAM H. SOMERVILLE
NANCY THOMSON

Audit Committee

- * RONALD C. BROWN
R. GRANT SCHARF
JAMES R. THOMAS
NANCY THOMSON

Human Resources Committee

- * WILLIAM J. FISHER
WILLIAM J. CORCORAN
HARRIET L. DEKOVEN
DANIEL L. MCCAW
WILLIAM H. SOMERVILLE

Pension Policy Committee

- * DANIEL L. MCCAW
WILLIAM J. FISHER
R. GRANT SCHARF
WILLIAM H. SOMERVILLE
JAMES R. THOMAS

- * Chairman

ONTARIO PENSION BOARD

Officers and Staff

Executive Officers

WILLIAM H. SOMERVILLE, LL.D.
Chairman

JAMES J. WILBEE, F.C.A.
President

LEONARD LU
Group Vice-President, Operations

JON-JO A. DOUGLAS
Vice-President, General Counsel and
Secretary

ROBERT F. KAY
Vice-President, Investments

BRIAN G. MILLS
Vice-President, Plan Administration

Staff Directors

M. JANG HONG
Treasurer
Director, Administrative Services

LINDA J. BOWDEN
Director, Human Resources

P.P. (GULU) CHADHA
Director, Pension Plan Services

DANIEL P. EDWARDS
Director, Plan Administration

SHERRY J. MACDONALD, C.A.
Director, Finance

THOMAS T. ROBINS
Director, Internal Audit

RON YEUNG
Director, Information Technology